



Personal Financial Toolkit 2018/2019



Western Cape
Government
Economic Development
and Tourism

BETTER TOGETHER.

The Office of the
Consumer Protector

Index

Introduction	3
Basic Financial Terminology.....	4
Why must I practice financial planning?.....	5
Savings.....	6
Budget.....	7
What is the difference between Savings and Investments?.....	8
Illegal Investments.....	9
Accounts.....	11
Debt.....	12
Drawing up a will.....	16
Addendum A - Budget.....	17
Addendum B - Summons.....	19
Addendum C - Credit report.....	25
Addendum D - Will.....	29

Introduction

This financial literacy booklet has been designed to help people make better financial decisions for themselves and their families.

If you are not financially literate you could encounter financial problems in your life. This can result in debt and a bad credit history.

But having even a basic knowledge and understanding of a few key financial processes can help you become financially literate. In this booklet we will help you gain a better grasp of:



You and Your Budget



You and Your Accounts



You and Your Debt



You and Your Loan



You and Your Savings

Once you have the confidence to make responsible financial decisions you can avoid financial mismanagement and considerable stress.

Before we get started, here are some common financial terms which you should familiarise yourself with:

Basic Financial Terminology

Credit • money that goes into your account e.g. salary or wages. Credit is also money that is borrowed from someone or a bank, which you must pay back with interest;

Savings account • an account into which you make deposits every month and the bank pays you interest on the money in your account;

Debit • money that goes out of your account when you withdraw money or pay an account;

Hire Purchase (HP) • a system by which a person buys goods and services on credit, usually after putting down a deposit. Hire Purchases can be used to buy expensive goods, such as household appliances and motor cars ;

Lay-by • a deposit system for consumers to buy non expensive goods which they do not want to buy with cash or on hire purchase. Lay-bys which are paid off within six months are considered cash purchases;

Interest • the cost of money borrowed (e.g. when taking a loan or buying a car you will be charged interest by the lender);

Initial Payment (Deposit) • the amount that someone pays when buying a car or furniture on credit. The article is usually paid off in equal monthly payments, called instalments;

Principle amount • the amount that someone borrows (i.e. buying a car or furniture) and must pay before any deposit is deducted;

Instalments • equal amounts paid off regularly when buying something (i.e. a car, furniture) on credit;

Insurance • an arrangement in which an individual or entity receives financial protection from an insurance company against losses.

Why must I practice financial planning?

There are **six** main reasons why financial planning is important:



To know your destination



Proper investment allocation



Weigh your savings



Prepare for your death



Weigh your insurances



To make use of all benefits available

6

REASONS FOR FINANCIAL PLANNING



Savings

No matter who you are, or what you earn, saving money every month is important. For a good future, a future with hope, you need to put away some of the money you earn.

Many things are possible if we save:



Education for you and your kids



Starting a small business



Buying a house



Buying a car

Most of us save for the things we want soon. This is called **short-term saving**. This is usually when you save for a few months to a year.

If you save for 3 – 5 years, it is called **medium-term saving**.

Long-term saving is when you save for 5 – 20 years.

METHOD OF SAVING	ADVANTAGES	DISADVANTAGES
The mattress method	None	<ul style="list-style-type: none">• Not safe• No growth
The savings club (stokvel)	<ul style="list-style-type: none">• Easy to understand• Usually trust each other• Take turns to collect savings• Members usually live close to each other	<ul style="list-style-type: none">• No written rules and contracts• No protection for money• No interest earned
Banks and other financial institutions	<ul style="list-style-type: none">• Safe• Banks have rules to protect you• Earns interest	<ul style="list-style-type: none">• People might not understand banks and what they do

Budget

A budget is the plan you use to make your money work harder for you and to prevent you from over spending. A budget will help you to:

- Plan and manage your own financial well being
- Develop an understanding of your income and expenditure patterns
- Plan short and long-term financial commitments
- Plan your future carefully

Example of a balanced budget:

Income:			
	Salaries		
		Lindiwe	R 2 200
		Tito	R 3 400
	Bond	Tenant	R 500
TOTAL			R 6 100
Expenses:			
	House		
		Bond	R 900
		Food	R 3 200
		Electricity	R 100
		Water	R 30
	Family		
		Travel	R 1000
		School Fees	R 80 (R40 x 2)
TOTAL			R 6 100

What is the difference between Savings and Investments?



Savings enable you to plan for your future and that of your family.



Investments are similar, but they also make it possible for you to use your money to make more money. Instead of spending your extra money, you can invest the money, either regularly, or as and when you have money to invest.

Types of investments

- Stocks
- Bonds
- Unit Trusts
- Exchange-traded funds
- Real estate investments
- Hedge funds and private equities

For more information on investments, contact your financial advisor.

Beware of illegal investments



Ponzi schemes

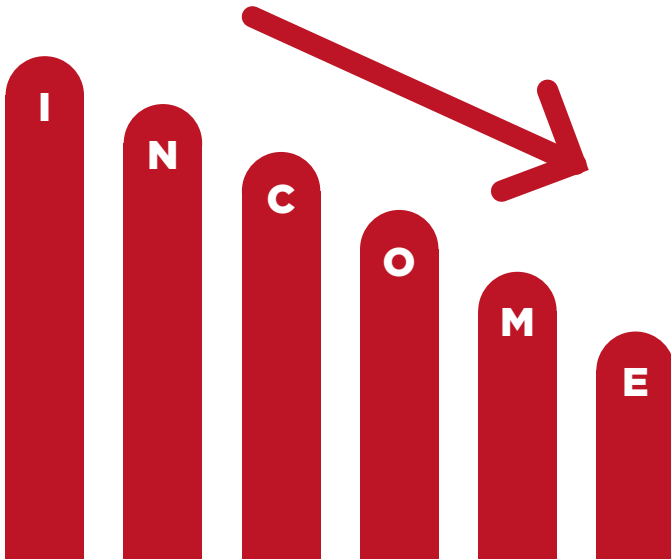
A Ponzi scheme revolves around a dishonest person paying old investors with money from new investors. The person uses the money from the second round of investors to firstly pay himself and then he will use some of the money to pay the first round of investors. Eventually the scheme collapses when the amount of old investors is larger than the new investors, and the person can no longer keep up the payments.

The difference between Ponzi and pyramid schemes

Although Ponzi and pyramid schemes share some similarities, they are not exactly the same. The essential difference between a pyramid scheme and a Ponzi scheme is that a Ponzi schemer will only ask you to invest in something. You won't be asked to take any action other than handing over the money. He or she will claim to take care of the rest and give you your returns later.

The pyramid schemer will offer you an opportunity to make the money yourself. It requires more work though: You have to buy into a franchise or start recruiting more people like yourself. The recruits will often pay the recruiter a cut of their profits.

The difference may seem slight, but one point to keep in mind is that, unlike pyramid schemes, Ponzi schemes are always illegal. It involves deceit to convince someone to invest money that won't actually be invested.



Accounts

There are different types of accounts:

TYPE	EXPLANATION	ADVANTAGES	DISADVANTAGES
30 Day Accounts	Buy and pay full amount in 30 days from date of purchase.	<ul style="list-style-type: none">• Buy now and pay full amount in 30 days;• Do not have to carry cash on you;	Tempts you to spend more than you can afford
Clothing and Furniture accounts:	Gives a credit limit; pays off over period	<ul style="list-style-type: none">• Do not need cash immediately• Can plan expenses per month;• 12, 18 or 24 months	<ul style="list-style-type: none">• Could spend more than you can afford;• May end up skipping payments
Hire Purchase accounts	Buy item for a fixed amount; interest is added; pay over a fixed term	<ul style="list-style-type: none">• Do not have to buy expensive items (cars, computers, television sets) for cash;• Pay the large amount in small portions (i.e. instalments);	<ul style="list-style-type: none">• Pay more because of interest; repossession

Tips: if you have accounts



Know how much, and what types of accounts you have



Open account envelopes (balances, instalments)



Buy what you need, not what you want

Debt

What is debt?

To be in debt means that you owe somebody money:

- Micro lenders (e.g. money borrowed to start a business)
- Account purchases (furniture, clothes)
- Friends or family who lent you money.

What happens if I can't pay my debt?

- Legal proceedings can be instituted against you (see Addendum A);
- You will get a bad credit history, which will make it harder for you to borrow money in the future;
- **Garnishee/Emoluments Attachment Orders**
- **Administration / Debt Counselling**



Garnishee/Emoluments Attachment Orders (EAO)

- Section 61 of the Magistrate Court Act (MCA) Act 32 of 1944 describe emolument as: compensation/salary, wages, remuneration or any allowance.
- Section 65J of the MCA grants the creditor the opportunity to receive weekly or monthly deductions made from the debtor's wages or salary by the debtor's employer before the debtor receives such wage or salary.
- The debtor's employer is obliged by court order to make such deductions, and in this instance is referred to as the garnishee (employer).
- Hence EAO is popularly known as **Garnishee Order**.
- It is a preferred method of collection, especially when the consumer doesn't have any attachable assets.
- The EAO process forms part of the debt collection process.
- The order can only be obtained if the court has authorised it.
- The Magistrates' Court Act (MCA) states that a credit provider must issue the order in the district where the debtor's employer resides/ carries on business/is employed.
- The order must be signed by the judgement creditor/their attorney and the clerk of the court.
- A sheriff of the court must serve the order to the employer.
- If the employee changes employment, CP's attorney must serve a copy of the order on the new employer by sheriff.
- Should the order be lost or misplaced, the court can issue a new one upon application to court - all parties to be informed by registered mail.
- If a consumer can prove that s/he has insufficient funds after deductions, the order can be rescinded, or alternatively the instalment amounts can be decreased.



Debt counselling (See Addendum B)

Debt Counselling is a process to help over-indebted consumers meet their debt commitments.

Over-indebted means a consumer is unable to meet all his/her debt repayments at the end of the month.

Once under debt counselling the creditors are not allowed to take any legal steps.

The consumer cannot access any credit.

The debt counsellor will conduct an assessment to see if the consumer is indeed over-indebted.

The over-indebted consumer pays a R50 application fee.

The debt counsellor will accept or reject the consumer's application.

Rejection letter will be sent to the consumer within 20 business days.

The consumer pays a once-off professional fee of up to R6000 & monthly after-care of up to R400 excluding VAT.

The consumer who fails to pay debt review will be removed from debt counselling and creditors may immediately take legal action.

If all the creditors agree to the proposal, the debt counsellor will prepare a consent order.

If one or more of the creditors do not accept the debt counsellor's proposal, the debt counsellor will refer the matter to the magistrate court.

Once an order is granted, the consumer will then pay the new re-negotiated instalments until all the debts have been paid up.

When all the debts have been paid up, the debt counsellor will issue a Clearance Certificate and inform the credit bureaus to expunge all the information related to the consumer's debts.



The difference between debt counselling and debt administration:

DEBT COUNSELLING	DEBT ADMINISTRATION
Helps clients to reduce their overall debt with creditors in the most effective way.	Takes a large part of the disposable income to offset the relatively high cost.
Introduced by the National Credit Act to deal with people who are in trouble with their finances and therefore have the support of, and have to be approved by, the Government.	Introduced prior to the new Credit Act with the view to resolve an individual's over indebtedness. This method can be very costly and with various limitations.
Ninety five percent (95%) of the debtor's monthly payments go to the creditors under a debt counselling plan.	One hundred percent (100%) of the debtor's monthly payments go to the debt administrator who distributes the payments per group of creditor at a time.
The debt counseling plan will manage all the payments to creditors from a central distribution agency on a monthly basis on behalf of the debtor.	Distribution of payments is done by lawyers and it is only done after all the costs have been deducted. In some cases it can take longer than a year before creditors get any payments.
Any amount of debt can be consolidated through debt counselling.	Debt cannot exceed R 50 000 in order to be placed under administration

Drawing up a will

(See Addendum C)



Nobody likes to talk about death, but what will happen to your family after you die? You are responsible for what happens after your death.

If you die without leaving a will, the Master of the High Court freezes your estate. This includes any money you have and all your possessions. The Court then decides how to share this out. Everything you worked for in your lifetime could end up in the wrong hands, and the people you worked hard to provide for may end up with nothing.

A basic will can be bought at a stationery shop and signed by you and two witnesses, but it is best to go to a lawyer or your bank. They will help you draw up a professional will. Your bank or lawyer will be able to tell you how you can prepare your will to save tax and how to protect the interest of your dependants.

What is an executor?

When you draw up your will, you have to appoint an executor. This person will do all the legal and administration work to settle your estate after your death. If your bank has drawn up your will, it will probably name itself as your executor.

Addendum A

Budget

Income:			
	Salaries		
	Other		
TOTAL			
Expenses:			
	House		
		Rent/Bond	
		Food	
		Electricity	
		Water	
		Other	
	Family		
		Transport	
		School Fees	
TOTAL			

Addendum B

Summons



REPUBLIC OF SOUTH AFRICA

No. 2 - Summons

(Claim in respect of debt or liquidated demand)

IN THE MAGISTRATE'S COURT FOR THE DISTRICT/REGION OF

HELD AT

CASE NO:

In the matter between:

..... Plaintiff

and

..... Defendant

To the sheriff or his/her deputy:

INFORM, of
(state sex and occupation) (hereinafter called the defendant),
that....., of (state sex and occupation)
..... (hereinafter called the plaintiff), hereby institutes
action against him or her in which action the plaintiff claims:

(Here set out in concise terms plaintiff's cause of action)

INFORM the defendant further that if defendant disputes the claim and wishes to defend the action he or she shall withindays of the service upon him or her of this summons file with the registrar or clerk of this court at (here set out the address of the registrar's office) notice of his or her intention to defend and serve a copy thereof on the plaintiff or plaintiff's attorney, which notice shall give an address referred to in rule 13(3) for the service upon the defendant of all notices and documents in the action.

INFORM the defendant further that if he or she fails to file and serve notice as aforesaid, judgment as claimed may be given against him or her without further notice to him or her.

And immediately thereafter serve on the defendant a copy of this summons and return the same to the registrar or clerk of the court with whatsoever you have done thereupon.

DATED atthisday of20.....

(1) You are hereby summoned to pay to the plaintiff herein immediately after service of this summons an amount of together with interest thereon at the rate of% per annum as from

Plaintiff's claim against defendant for payment of the above-mentioned amount is for: (set out the cause of action)

.....
.....

and a copy of which document is annexed hereto;

(2) By failing such payment, you are hereby called upon to appear before this court personally or by a practitioner at (place and court if necessary) on the day of 20..... at (time) in the forenoon (or as soon thereafter as the matter can be heard) to admit or deny your liability for the said claim and to state why the mortgaged property should not be declared executable;

(3) If you deny liability for the claim, you shall not later than the day of 20....., file an affidavit with the registrar or clerk of this court, and serve a copy thereof on the plaintiff or [his] plaintiff's attorney at the address indicated for service on the summons, which affidavit shall set forth the grounds of your defence to the said claim, and in particular state whether you admit or deny your or your agent's signature which appears on the said and if it is your agent's signature whether you admit or deny the signature or authority of your agent.

You are further informed that in the event of your not paying the amount and interest above-mentioned to the plaintiff immediately and if you further fail to file an affidavit as aforesaid, and to appear before this court at the time above stated, provisional sentence may be granted against you with costs, but that against payment of the said amount, interest and costs, you will be entitled to demand security for the restitution thereof if the said sentence should thereafter be reversed.

Costs, if the action is undefended, will be as follows:

Attorney's charges

(i) Issue of summons

(Item 2 of Part II of Table A) R c.....

(ii) Attending court

(Item 7 of Part II of Table A) R c.....

(iii) Judgment fees

(Item 3 of Part II of Table A) R c.....

Court fees R c.....

the court may, at the request of the judgment creditor or his or her attorney, authorise the issue of a warrant directing a sheriff to arrest the said judgment debtor, director or officer and to bring him or her before a competent court to enable that court to conduct a financial inquiry. [Section 65A(6) of the Act]

(iii) Any person who-

(aa) is called upon to appear before a court under a notice in terms of section 65A(1) or 65A(8)(b) of the Act (where the sheriff, in lieu of arresting a person, hands to that person a notice to appear in court) and who wilfully fails to appear before the court on the date and at the time specified in the notice; or

(bb) where the proceedings were postponed in his or her presence to a date and time determined by the court, wilfully fails to appear before the court on that date and at that time; or

(cc) wilfully fails to remain in attendance at the relevant proceedings or at the proceedings so postponed, shall be guilty of an offence and liable on conviction to a fine or to imprisonment for a period not exceeding three months. [Section 65A(9) of the Act]

(iv) On appearing before the court on the date determined in the notice in terms of section 65A(1) or (8)(b) of the Act in pursuance of the arrest of the judgment debtor, director or officer under a warrant referred to in section 65A(6) of the Act or on any date to which the proceedings have been postponed, such judgment debtor, director or officer shall be called upon to give evidence on his or her financial position or that of the juristic person and his or her or its ability to pay the judgment debt. [Section 65D of the Act]

(v) Any person against whom a court has, in a civil case, given any judgment or made any order who has not satisfied in full such judgment or order and paid all costs for which he or she is liable in connection therewith shall, if he or she has changed his or her place of residence, business or employment, within 14 days from the date of every such change notify the clerk or register of the court who gave such judgment or made such order and the judgment creditor or his or her attorney fully and correctly in writing of his or her new place of residence, business or employment, and by his or her failure to do so such judgment debtor shall be guilty of an offence and liable upon conviction to a fine or imprisonment for a period not exceeding three months. [Section 109 of the Act]

(2) Consent to judgment.

I admit that I am liable to the plaintiff as claimed in this summons (or in the amount of R..... and costs to date) and I consent to judgment accordingly.

DATED atthisday of20.....

.....

Defendant

*(3) Notice of intention to defend.

To the Registrar/Clerk of the Court.

Kindly take notice that the defendant hereby notifies his or her intention to defend this action.

DATED atthisday of20.....

Defendant/Defendant's attorney

Address)
.....
.....

Postal address
.....
.....

Facsimile (fax) number (where available)

Electronic mail (e-mail) address (where available)

(Give full address for acceptance of service of process or documents within 15 kilometres from the Court-house and also the postal address.)

* The original notice must be filed with the registrar or clerk of the court and a copy thereof served on the plaintiff or plaintiff's attorney.

Costs if the action is undefended will be as follows:

Summons.....	R
Judgment.....	R
Attorney's charges.....	R
Sheriff's fees.....	R
Sheriff's fees on re-issue.....	R
Total:.....	R

Addendum C

Credit Report



TransUnion Credit Report

Sandy R Beach

File #: 52431 Date: 2/7/2013 11:55:30 AM
Customer: 1001 User: Jeney

Reported: 2/7/2013

SSN: XXX-XX-6231

Date of Birth: 8/5/1975

Address: 6327 N Kenmore

City/State/Zip: Fantasy Island, IL 60750

Page 1 of 5

Report Detail

Tradeline Overview

Total: 4
Current: 0
Current Neg: 0

Account Status

Total Past Due: \$0
Day 30: 0
Day 60: 0
Day 90: 0
Account Balance: \$10,633
Monthly Payment: \$302
Collections: 0

Credit Line Information

Credit Limit: \$0
High Credit: \$10,000
Real Est. Balance: \$0
Rev. Balance: \$633
Installment Balance: \$10,000
Inquires: 2
Public Records: 0

Personal Information

Name: SANDY R BEACH
DOB: 8/5/1975
SSN: XXX-XX-6231

On File Since: 7/31/2009

Employment Information

Employer: TEST A
Postion: A TESTER

Employer: ST LOUIS METRO PD
Postion: PUBLICSAFE

Employer: ABC
Postion:

Employer: PFC
Postion:

Collections

Creditor: OMNI CR SVCS/WIS ELECTRIC POWER SERV
 Member Number: 07711001 Report Date: 3/7/2012
 Balance: \$97.00 Date Opened: 1/14/2012
 Account: 444449 Date Closed: 10/27/2011

Creditor: FINCNTRL SVC/TIME WARNER CABLE 1
 Member Number: 096KU003 Report Date: 10/11/2011
 Balance: \$72.00 Date Opened: 8/31/2011
 Account: 4444405 Date Closed: 6/12/2011

Tradelines

		Open Accounts				Historical Status			Payment	Amount
Creditor	High Credit	Balance	Credit Limit		30	60	90	Amount	Past Due	
Account Number	Date Rptd	Date Last Activity	Date Opened							
Account Type		Account Status								
MIDWEST NATL	\$10,000.00	\$10,000.00	-		-	-	-	\$302.00	-	
	2/1/2013	-	3/31/2008	-						
Installment/ Banks		(01) Paid or paying as agreed								
DISCOVER FIN	-	\$633.00	-		-	-	-	-	-	
	2/1/2013	-	9/11/2003	-						
Revolving/ Banks		(01) Paid or paying as agreed								
FIRST UNITED	\$5,734.00	\$0.00	-		0	0	0	\$159.00	-	
	2/1/2013	-	3/31/2004	-						
Installment/ Banks		(01) Paid or paying as agreed								

		Closed Accounts				Historical Status			Payment	Amount
Creditor	High Credit	Balance	Credit Limit	Closed	30	60	90	Amount	Past Due	
Account Number	Date Rptd	Date Last Activity	Date Opened	Closed Date						
Account Type		Account Status								
CHASE AUTO	\$9,010.00	\$0.00	-	Closed normally	0	0	0	-	-	
	12/17/2012	-	7/26/2008	12/18/2012						
Installment/ Banks		(01) Paid or paying as agreed								

Inquires

Name: STARPOINT SC Date: 2/7/2013
 Name: PENTAGROUP F Date: 2/1/2010

Public Records

Docket: 444400098 Plaintiff: METROPOLITAN ASSOCIATE
 Record Type: (CJ) Civil judgement Court Type: Circuit
 Liability: \$2,107.00 Date Filed: 11/18/2011
 Acct. Designator: Individual Date Paid: Not Provided

Details

Regular hit on file
 Exact match between SSN on input and on file
 Credit data in the file is not suppressed

Addendum D

Will

Last Will and Testament

I, the undersigned,

(full names)

.....

(Identity number)

.....

of (residential address)

.....

.....

hereby declare this to be my Will. I hereby revoke all previous wills or testamentary writings made by me.

I nominate (full name)

.....

.....

(address)

.....

.....

to be the Executor of my Estate. Should he/she be unwilling or unable to act as executor,

I nominate (full name)

.....

.....

(address)

.....

.....

I direct that the executor of my estate shall/shall not be required by the Master of the High Court or other competent authority to give security for proper performance of his duties. (give details of security to be given or draw a line through if not applicable).

.....

.....

I direct that my estate shall devolve as follows:

Special Bequests:

.....

.....

After my special bequests I bequeath the residue of my Estate to:

.....

.....

In witness whereof I have signed this will in (place)

.....
.....
.....

on the (day) of (month).....
(year) in the presence of the undersigned witnesses who
in my presence and in the presence of each other have
signed this will as witnesses.

Signed (TESTATOR)

WITNESS 1.

WITNESS 2.

Consumer Help Line: 0800007081

Tel: 021 483 9282

Fax: 021 483 5872

Email: Consumer.protector@westerncape.gov.za

www.westerncape.gov.za



**Western Cape
Government**

Economic Development
and Tourism